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General Office of the China Banking Regulatory Commission Document

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General Office of the China Banking Regulatory Commission Opinions on Green Credit Implementation

All CBRC local offices, all policy banks, state owned commercial banks, joint-stock commercial banks, postal savings bank and China Banking Association:

According to the decisions made by the 18th National Congress of the Communist Party of China to build an ecological civilization and vigorously promote green, recycling and low-carbon development, in order to profoundly implement the relevant macro-control policies, to strictly follow the requirements of *Guidance on Credit Provision to Energy Saving and Emission Reduction* (CBRC〔2007〕No.83) and *Green Credit Guidelines* (CBRC〔2012〕No.4), to effectively prevent credit losses and unfavourable impacts caused by environmental and social risks, and to properly carry out green credit implementation, we put forward the following opinions:

1 Firmly establish the concept of Green Credit

Every CBRC local offices and banking institutions must thoroughly understand the great significance of the role that building an ecological civilization plays in the overall scheme of the Five in One modernization drive, make active commitment to fulfilling their duties and obligations, thoroughly implement *Green Credit Guidelines*, and integrate, as much as is practically possible, the concept of green credit into the institution's operations and regulators' work, and incessantly strengthen the banking sector's consciousness and initiative in promotion of ecological civilization construction by the means of green credit.

2 Vigorously support green, recycling and low carbon development.

Following the principles of risk control and being commercially viable, banking institutions shall comprehensively consider the market prospects, policy compensation, risk status and other factors of customers and projects to be extended credit, strengthen innovation in credit-granting mechanisms, business processes, and product development, actively improve financial services, increase their support effort for key areas such as strategic emerging industries, cultural enterprises, producer services and industrial restructuring and upgrading, and promote the development of green, recycling and low carbon economy.

3 Taking initiatives in prevention and control of credit risks to "high pollution, high emission and overcapacity" industries

Banking institutions must strengthen tracking and monitoring of "high pollution, high emission and overcapacity" industries, as well as keep abreast of the absorption measures, specific methods and progress of the overcapacities in key industries, key regions and key enterprises. Banking institutions must actively control loans to "high pollution, high emission and overcapacity" industries, and foreseeably streamline measures in lending reduction, credit withdrawal, and asset preservation for obsolete and excess capacities to be closed, suspended or eliminated.

Under the premise of strict risk control, banking institutions must actively pilot restructuring, merger and acquisition, and purchasing loans as well as foreign loans issued to excessive production capacity enterprises which are to undergo restructuring or be transferred overseas. Viable credit demands must be rationally satisfied for energy saving and emission reduction, production safety and technological upgrade by excess production capacity enterprises, which are to undergo transformation and upgrading. For large industrial projects to be expanded production capacities which are not included in the scope of "high pollution, high emission and overcapacity", banking institutions shall strengthen communication and coordination, careful assess market prospects, and well fulfill due diligence in order to prevent credit risks caused by excessive capacity expansion.

4 Strictly preventing losses and adverse outcomes caused by the environmental and social risks

Banking institutions must strengthen organization, mechanisms, processes and capacity building relevant to the green credit, and must improve their mechanisms of internal assessment and evaluation and information disclosure. Banking institutions must pay great attention to the clients' and projects' performance in energy saving and emission reduction, environmental protection, and clean production and work safety, as well as the impact that these might have on social stability. Accordingly, the bank institutions shall improve their classification management and the "Three Checks" (due diligence before the lending, review requirements during the lending, and exam implementation after the lending) for loans. Appropriate measures must be taken timely to deal with the risks aroused by clients and projects in serious violation of regulations and collective action with relevant authorities is required to urge them to rectify as soon as possible. In cases where clients and projects are exposed to high credit or reputation risks, the banking institutions shall take timely measures to preserve assets, report to the board of directors and regulatory authorities, and strictly pursue accountability.

5 Strengthening environmental and society risk precaution

All CBRC local offices must strengthen communication local authorities responsible for energy saving and emission reduction, environmental protection, work safety, industry and informatization, so as to provide the banking institutions with the list of companies in serious violation of laws and regulations on environment and work-safety, as well as with "10 Thousand Enterprises List" who underperform annual energy saving target, together with their lending information. CBRC offices shall disclose major environment and social risks within their jurisdiction and urge banking institutions to improve their risk prevention.

6 Targeted investigations into environmental and society risks

All CBRC local offices must, in align with the current situation of ecological progress and social development within its jurisdiction, facilitate banking institutions carrying out targeted investigations into clients' environmental and society risks. A dedicated inspection can be launched towards regions and banking institutions exposed to high risks. For deficiencies revealed by the inspections, the banking institutions must promptly rectify the problem and take risk control measures.

7 Accelerate the construction of information sharing platform

All CBRC local offices shall enhance information sharing with local authorities responsible for energy conservation and emission reduction, environmental protection, work safety and industry and informatization, and accelerate the construction of a provincial-level electronic network platform for information sharing. Effective measures must be taken to enhance the timeliness, accuracy and integrity of the information shared so that improved regulatory information service will be provided to banking institutions.

8 Improve the statistical system of Green Credit

All CBRC local offices and banking institutions shall make efforts to carry out green credit statistics operations. Based on the pilot to fill in Green Credit Statistics Form for the first half of 2013, CBRC local offices and banking institutions shall strengthen experience review and exchange and training in statistics as well as timely develop and improve statistical information system, so as to implement officially the Green Credit Statistical System from the second half of the year.

9 Explore integrating the green credit performance into supervisory rating of banking institutions

Complying with the requirement to set up a green rating mechanisms for banks in the *Comprehensive Energy Saving and Emission Reduction Work Plan for 12th Five-Year Plan of the State Council*, key performance indicators (KPIs) for implementing green credit of banking institutions is to be developed and selected banking institutions will benchmark KPIs to carry out trial evaluations. On the basis of KPIs and trial evaluation, specific methods must be explored to integrate green credit implementation performance into supervisory rating.

10 Continuously promote domestic and international green credit experience exchange

Actively build up platforms facilitating green credit experience exchange and promote the green credit practice with the characteristics of individual banking institution. At the same time, continue participating in Sustainable Banking Network of emerging markets countries as well as study and draw lessons from the other countries' experience in developing green credit.

11 Further enhance the role played by the Banking Association

The Banking Association shall strengthen its communication with the relevant industrial sectors, and assist its member institutions in better understanding the industrial trend. The association shall study and figure out timely the incipient risks in some industries and assist its member institutions to adjust and improve their industrial credit policies. The association shall strengthen its role in providing consultancy services, organizing education and training, facilitating experience sharing and building up expert teams, so as to assist its member institutions to improve their green credit implementation.



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(This document is to be sent to the CBRC local offices and their branches as well as banking institutions incorporated nationwide and locally)

Internally CC to: Statistics Department, Supervisory Rules and Regulations Department, Banking Supervision Department I, Banking Supervision Department II, Banking Supervision Department III, Banking Supervision Department IV, Non-Bank Financial Institutions Supervisions Department, Cooperative Finance Supervision Department)

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